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# **URBAN POLICY UNDER CAPITALISM**

Edited by  
**NORMAN I. FAINSTEIN**  
and  
**SUSAN S. FAINSTEIN**

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# URBAN POLICY UNDER CAPITALISM

**Volume 22, URBAN AFFAIRS ANNUAL REVIEWS**

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# **Part I**

## **Introduction**





## **Restoration and Struggle: Urban Policy and Social Forces**

**NORMAN I. FAINSTEIN**

**SUSAN S. FAINSTEIN**

□ THIS COLLECTION OF ESSAYS arises out of the relatively new scholarly tradition of urban political economy (see Harloe, 1977; Fainstein and Fainstein, 1979; and the chapters in this volume by Walton and Rich). The intellectual contribution of this tradition is complex and multidimensional; two aspects of its break with both orthodox Marxism and earlier liberal urban analysis provide the starting point for the authors here. First, even though they trace the roots of urban development to the capitalist mode of production, the authors identify indeterminacy as a consequence of the mediating nature of culture, historic compromises, and contemporary struggle. General tendencies are always confronted by particular circumstances, making specific urban outcomes, in Castells' (1977) term, "problematic." Second, the contributors avoid a prescriptive approach to public policymaking. They assume that policy results from the interaction of economic forces and political interventions. Such a stance does not imply that state policy is meaningless as a factor in social well-being or irrational as the manifestation of particular economic interests; only that the search for an "optimal" policy is both fruitless and ideologically mystifying. Therefore, the study of urban policy requires the analysis of the basis of state action in class, group, and geographical domination and conflict.

There are several reasons for looking specifically at the urban dimensions of public policy, even in the context of a holistic view of policy as rooted in general social forces. Within the development of post-World War II capitalism, the national state has assumed increasing importance in directing capital investment and providing for social welfare. But the key functions of urban space in structuring capital accumulation and determining the quality of everyday life have caused political actors and scholars to define many general issues within the framework of urban analysis. Subnational government, either as agent of the national state or as allocator of borrowed capital, has become a crucial force in supporting and shaping further growth. Social expenditures on transportation, housing, commercial and industrial development, and urban renewal have molded urban form in both the first and third worlds. Within the spatial system, state intervention concerned with land use and infrastructure (i.e., urban development) is critical to capital directly, because increasing proportions of capital investment flow into real estate, and, equally important, because capitalist production depends on agglomeration economies and transportation technology. Indirectly, urban conditions affect the flow of investment within and among cities, with important consequences for the profitability of various economic sectors.

The use of urban space as a vehicle for accumulation, however, clashes with its second principal social function as the territory in which the population resides, consumes goods and services, and acts politically (i.e., as the location of social reproduction). Within this category of analysis, social welfare becomes also a fundamental object of urban policy. While social conflict in the workplace has, during the last two decades, assumed an increasingly ritualized form, urban protest has been volatile, difficult to control, symbolically powerful, and sometimes effective in diverting capitalist state and economy from their accumulation objectives. The function of urban areas as residential locations for the mass of the population, their still rapid growth in the less developed world, competition between different consumption and cultural groups over domination of territory, conflicting interests in the use of the economic surplus for infrastructural investment or social programs — all block the functioning of the local state and territory for exclusively accumulative purposes. The nature of the struggle varies from place to place within and between countries — in the United States between downtown and neighborhoods, landlord and tenant; within neighborhoods between cultural, ethnic, and income groups. In Europe, with its much greater public

role in housing and land markets, conflict has most recently become evident in the squatters' movements, but expresses itself also in the capture of local governments by left parties, the constant tension between upper- and working-class claims to territory, and the cultural and social demands of mobilized groups. The less developed countries, dependent on outside capitalists, demonstrate different relationships between state and class, but nevertheless display similar conflicts over territorial rights and investment demands.

The increasingly collective nature of modern capitalism has produced an enlargement of the state's role as mediator among fractions of capital and legitimator of the distribution of benefits within society. The consequence of state expansion has been fiscal crisis (O'Connor, 1973). As the general woes of the capitalist economies have increased in the present period of inflation, slow or nonexistent growth, and rising unemployment, the fiscal crisis of the state has merged with the larger economic crisis to provide a rationale for reducing the size of the state sector in a number of countries. We are, therefore, in the United States and in some Western European states, at a point where powerful forces are seeking to restore the status quo ante of a less prominent role for government in the realm of social reproduction. Whether conservative restoration will succeed in transforming the state into a less active determinant of social arrangements remains to be seen. But there is agreement among the authors in this book that we are in a new stage of urban development, shaped by general, and in fact worldwide political-economic tendencies. Understanding the current stage requires comparative examination of the particular manifestations of urban development and conflict in various countries and localities along with an overall grasp of the macropolitical economy. The chapters herein represent an effort to sort out the determinative effects of economic conditions and the interdeterminate consequences of specific political and cultural mobilizations. In this introduction we sketch some of the theoretical relationships connecting state intervention with social cleavages. We then indicate the ways in which the essays specify various dimensions of these relationships within particular social contexts.

## CAPITAL, CONFLICT, AND STATE PROGRAMS

Capitalists require state intervention in the urban system. Through infrastructural investment and public services, the state provides social capital; through coercion, propaganda, and social service expenditures, the state maintains social control. But the con-

tent of public policy is not directly specified by general functional necessities, and for two main reasons. First, the institutional separation of the state from capital compels the state to mediate among classes, with liberal-democratic regimes forced to respond to working-class political power, upon occasion to votes instead of money. Second, the interests of capital are divided. The market destroys value as well as creating it, harming fractions of capital tied to declining functions, industries, or territorial units. Taken together, these factors create an indeterminacy which the state experiences in a recurring conundrum: Should government policy and programs reinforce market tendencies, or should they seek to deflect and possibly negate them? In practice, the answer will depend on the tendencies in question and on the balance of class forces experienced within a particular regime.

The state under capitalism is expected by business leaders to mitigate urban problems which are consequences of their own actions. State solutions, however, must not impede the accumulation process by burdening profits with taxes, and they must not threaten directly the character of control over production to which a national business class has become accustomed. Consider, for example, the United States and Britain, whose regimes are faced with the sectoral/spatial restructuring of advanced capitalist economies underway since the mid-seventies. The Reagan approach has so far been to allow capital to move of its own accord and to expect labor to do likewise. At the same time, the Reagan retrenchment of the welfare state may produce a large negative multiplier in the growth sector of the American economy — services. Thatcher, who has not learned supply-side economics, and who runs a more interventionist state confronted with more dependent capitalists, seems intent upon closing Britain's old plant and replacing it with new, presumably more productive, manufacturing. She does not expect labor to move from the old inner cities (where mass unemployment is the consequence), but is unwilling to control the flow of British capital out of manufacturing and out of the country. In both cases, the regime is torn between *laissez-faire* and intervention, as well as between its desire to serve capital as a whole and its unwillingness to limit the prerogatives of the particular capitalists who comprise its constituency.

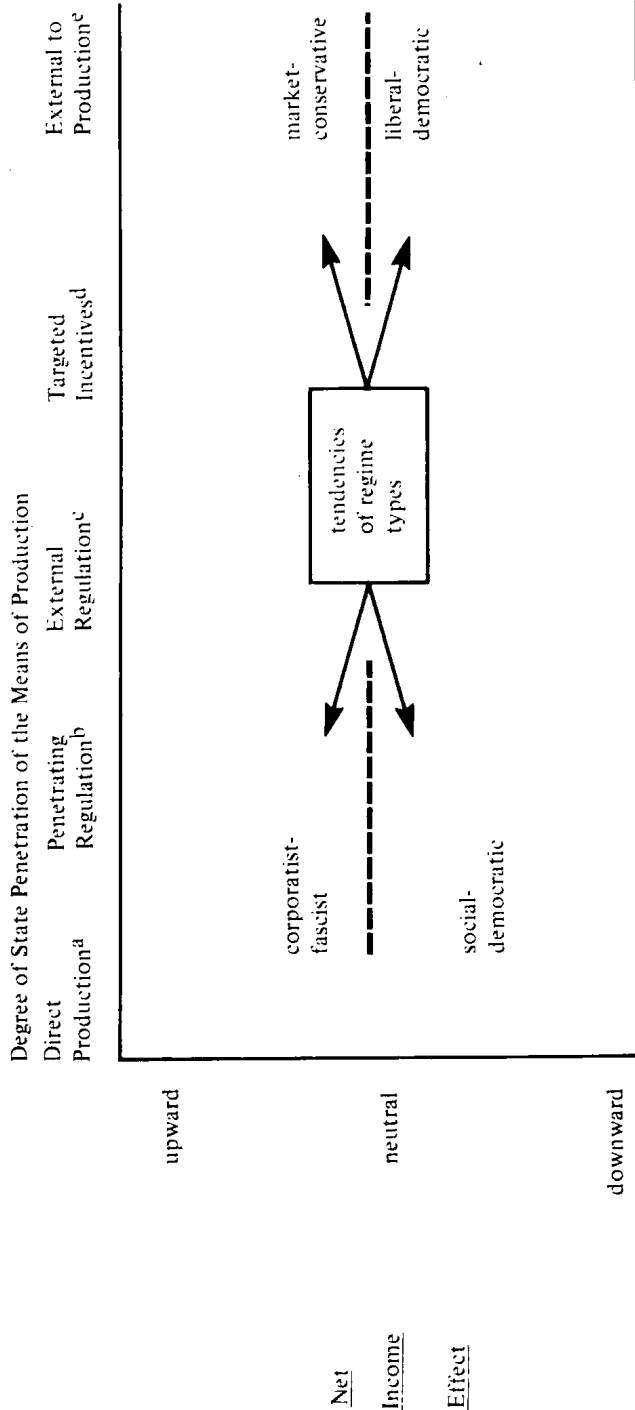
Among all the advanced capitalist nations, patterns of urbanism and acute urban problems (over-development, abandonment, social movements) have resulted from the restructuring of the economy. When capital in the West has flowed out of manufacturing, it has frequently been into land and the built environment. North American and Western European real estate has also often been the final resting

place of petrodollars. Overinvestment in real estate amounts to speculation which remains safe so long as demand continues high in spite of escalating prices. The supervalorization of real-estate investment — most of which contributes little to actual production or productivity — makes it even more attractive to investors as a hedge against further inflation.

While the consequences of capital flows for urbanization have been enormous, capitalists have no collective interest in a particular urban pattern. Various fractions of capital do, however, have interests tied to the rise or fall of cities and regions. As a result, there is a complex patterning of business interests around the state. At each level of the state (depending on political institutional arrangements), business interests are likely to be divided between those with and those without a major stake in urban development. Of those with such stakes, interests may differ sharply. For example, in the third world, some capitalists are tied entirely to the export sector, while others depend heavily on local investment of the surplus; in developed nations we see numerous cases of conflict within the business class over subsidies to urban growth and welfare — whether government should support urban programs or divert resources to tax reductions or encouragement of agricultural and extractive enterprises.

While the business class experiences internal “fault lines” between different sectoral and geographical interests, it nevertheless shares strong common objectives as it faces the state. These derive from the main cleavages of the entire capitalist social formation, the division between classes, and the division between state and economy. With regard to the former, the struggle, simply put, is between profits and wages — between capital and labor over shares of surplus value, and more generally, over the definition of the social relations of production. As capital relates to the state, the interest of the upper class is in state programs from which it is the prime beneficiary, while others bear the financing burden. In addition, the business class has an equally strong interest in maintaining private control over profitable activities and in itself determining the social relations of production (including investment, division of labor, pay rates).

These considerations may be formalized in a way which helps us to see the class interests and political behavior of capital. Figure 1.1 is intended to be suggestive of the primary dimensions which define the interests of national capital *as a whole class* (thus sectoral and geographical axes are omitted) toward state activity. The vertical dimension of *net income effect* reflects the calculation of who receives the benefits of state programs versus who finances their costs. The hori-



**Figure 1.1 Class Interests in State Program Initiatives**

- a. Public services, banking, utilities, transport, energy, manufacturing.
- b. Organization of production, wage structure, union power, investment decisions, personnel recruitment.
- c. Product safety, building codes, zoning restrictions, environmental pollution regs.
- d. Free trade zones, urban renewal land write-downs, subsidies for hiring unemployed.
- e. Cash transfers to firms and individuals—government purchases, tax reductions, welfare payments.

zontal dimension reflects the degree of *state penetration of the means of production*. While this is not the place to elaborate the framework, several points deserve comment.

First, capital has an objective interest *both* in maximizing its share of net state expenditures and in maximizing private control over all aspects of production and investment; hence the two dimensions, one for material distribution, the other for power. Second, while the dimensions are conceptually distinct, they are empirically related to the degree that income effect may be an outcome of program progress. So, to some extent capitalists object to loss of control because they perceive an immediate economic cost to themselves. Nevertheless, the class as a whole reacts (through its leading political organizations) by considering both dimensions. Thus, a program with a moderate "downward" income effect which lies entirely external to production (e.g., family allowances) may be more acceptable than state investment planning controls aimed at enhancing accumulation. Third, the analytic schema is most helpful in understanding the interests of capital at the margin; we ask, in effect, what new programs capital will try to enact or resist, what old ones it will try to dismantle or strengthen. Finally, it is worth noting that while capital *thinks* control and income effect, it *talks* regulation and economic growth.<sup>1</sup>

The actual character of state policy affecting urbanism will ultimately depend upon political factors which we will enumerate here (but which will be described in detail in the articles to follow). Capital acts as a whole only through its political organizations, whether business associations, political parties, or parts of the state administrative apparatus. Accordingly, the interests of capital which become expressed in "urban" policy will depend not only on the sectoral and geographical cleavages we discussed earlier, but especially on the particular elements of the class that have access to the regime in power. The character of the regime, in turn, depends upon the ideology of the leaders of the governing coalition and of the political parties which bring them to power.

Thus, in Figure 1.1 we also suggest the tendencies of four general regime types with regard to public policy. In two of the types we assume that capital is in a hegemonic position; these we refer to as *market-conservative* and *corporatist-fascist*. The *liberal-democratic* regime incorporates working-class interests through the dominance in the governing coalition of a conservative party of the left (e.g., British Labor the last time it ruled, the German Social Democrats, the wing of the U.S. Democrats represented by Johnson). The *social democratic* regime reflects the domination of a leftist working-class party within the capitalist state. Such a regime may have come to power



recently in France, and might yet in Britain and Italy. Even if a leftist working-class party does not itself govern, it may pressure the regime to introduce policies which both redistribute income “downward” and penetrate the means of production. Obviously, liberal-democratic regimes are most susceptible to such pressure. Moreover, all regimes must respond to urban social movements, protest, and disorder. The manner in which they respond depends on the balance of class forces they incorporate. For these reasons, the programs of the state under capitalism are always a product of the functional needs of the economy and organization of capitalist interests on the one hand, but of political leadership and class struggle on the other.

As a final introductory note, and before a discussion of the essays themselves, it is important to recapitulate what we mean by *urban policy*. We do not employ the nominal designations by political regimes of what is “urban policy.” For one thing, “urban policy” is a political symbol with different meanings in different countries and times. For another, it may nominally fade from existence, as seems to be the case with the Reagan administration. But most important, there is no necessary correspondence between programs intended to affect urbanism and those which do, regardless of their objectives and definitions.

What is urban policy then? It is state activity which affects urbanism. By urbanism we mean the distribution of investment and consumption activities in real space, the character and form of the built environment, and the distribution of population groupings in relation to both. In abstract terms, it follows that *urban policy is state activity affecting the use of space and the built environment relative to the process of accumulation and the social occupation of space relative to the distribution of consumption opportunities*. In practical terms, then, economic policy and social policy are as much urban policy (defined by their urban impacts) as, say, land-use controls or urban redevelopment. In fact, as several authors argue below, urban policy is increasingly being made under some other name.

## ANALYTIC APPROACHES OF THE ESSAYS

Fundamental to the political economy approach to urban development is a rejection of disciplinary boundaries and isolated levels of analysis. Dichotomies between inputs and outputs, politics and policies, economy and society, nation and city (even world and city) disappear. The absence of these familiar categories, however, creates